

American National Bankshares Inc. and Subsidiaries
Consolidated Balance Sheets

(Dollars in thousands, except share and per share data)

Unaudited

| ASSETS | December 31 | |
|--|--------------|------------|
| | 2011 | 2010 |
| Cash and due from banks | \$ 22,561 | \$ 9,547 |
| Interest-bearing deposits in other banks | 6,332 | 8,967 |
| Securities available for sale, at fair value | 333,366 | 228,295 |
| Securities held to maturity | - | 3,334 |
| Total securities | 333,366 | 231,629 |
| Restricted stock, at cost | 6,019 | 4,062 |
| Loans held for sale | 6,330 | 3,135 |
| Loans | 824,758 | 520,781 |
| Less allowance for loan losses | (10,529) | (8,420) |
| Net Loans | 814,229 | 512,361 |
| Premises and equipment, net | 26,804 | 19,509 |
| Other real estate owned, net | 5,353 | 3,716 |
| Goodwill | 38,045 | 22,468 |
| Core deposit intangibles, net | 6,595 | 1,320 |
| Accrued interest receivable and other assets | 38,888 | 16,950 |
| Total assets | \$ 1,304,522 | \$ 833,664 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Demand deposits -- noninterest-bearing | \$ 179,148 | \$ 105,240 |
| Demand deposits -- interest-bearing | 189,212 | 90,012 |
| Money market deposits | 182,347 | 59,891 |
| Savings deposits | 74,193 | 62,522 |
| Time deposits | 433,854 | 322,433 |
| Total deposits | 1,058,754 | 640,098 |
| Short-term borrowings: | | |
| Customer repurchase agreements | 45,575 | 47,084 |
| Other short-term borrowings | 3,000 | 6,110 |
| Long-term borrowings | 10,206 | 8,488 |
| Trust preferred capital notes | 27,212 | 20,619 |
| Accrued interest payable and other liabilities | 6,946 | 3,178 |
| Total liabilities | 1,151,693 | 725,577 |
| Shareholders' equity: | | |
| Preferred stock, \$5 par, 2,000,000 shares authorized, none outstanding at December 31, 2011 and December 31, 2010 | - | - |
| Common stock, \$1 par, 20,000,000 shares authorized, 7,806,869 shares outstanding at December 31, 2011 and 6,127,735 shares outstanding at December 31, 2010 | 7,807 | 6,128 |
| Capital in excess of par value | 56,395 | 27,268 |
| Retained earnings | 81,797 | 74,850 |
| Accumulated other comprehensive income (loss), net | 6,830 | (159) |
| Total shareholders' equity | 152,829 | 108,087 |
| Total liabilities and shareholders' equity | \$ 1,304,522 | \$ 833,664 |

American National Bankshares Inc. and Subsidiaries
Consolidated Statements of Income

(Dollars in thousands, except share and per share data)

Unaudited

| | Three Months Ended December 31 | | Twelve Months Ended December 31 | |
|--|-----------------------------------|-----------------|------------------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Interest and Dividend Income: | | | | |
| Interest and fees on loans | \$ 14,881 | \$ 6,928 | \$ 40,688 | \$ 28,148 |
| Interest and dividends on securities: | | | | |
| Taxable | 1,149 | 1,198 | 4,595 | 5,042 |
| Tax-exempt | 1,089 | 647 | 3,646 | 2,288 |
| Dividends | 43 | 24 | 131 | 95 |
| Other interest income | 15 | 92 | 127 | 360 |
| Total interest and dividend income | <u>17,177</u> | <u>8,889</u> | <u>49,187</u> | <u>35,933</u> |
| Interest Expense: | | | | |
| Interest on deposits | 1,957 | 1,704 | 7,203 | 6,708 |
| Interest on short-term borrowings | 81 | 85 | 325 | 382 |
| Interest on long-term borrowings | 85 | 64 | 229 | 256 |
| Interest on trust preferred capital notes | 194 | 343 | 1,023 | 1,373 |
| Total interest expense | <u>2,317</u> | <u>2,196</u> | <u>8,780</u> | <u>8,719</u> |
| Net Interest Income | 14,860 | 6,693 | 40,407 | 27,214 |
| Provision for loan losses | <u>1,972</u> | <u>485</u> | <u>3,170</u> | <u>1,490</u> |
| Net Interest Income After Provision for Loan Losses | <u>12,888</u> | <u>6,208</u> | <u>37,237</u> | <u>25,724</u> |
| Noninterest Income: | | | | |
| Trust fees | 834 | 936 | 3,561 | 3,391 |
| Service charges on deposit accounts | 567 | 457 | 1,963 | 1,897 |
| Other fees and commissions | 427 | 307 | 1,510 | 1,163 |
| Mortgage banking income | 470 | 543 | 1,262 | 1,560 |
| Securities gains (losses), net | 17 | 84 | (1) | 126 |
| Other | 272 | 579 | 949 | 977 |
| Total noninterest income | <u>2,587</u> | <u>2,906</u> | <u>9,244</u> | <u>9,114</u> |
| Noninterest Expense: | | | | |
| Salaries | 3,702 | 2,473 | 12,409 | 10,063 |
| Employee benefits | 785 | 605 | 2,681 | 2,442 |
| Occupancy and equipment | 888 | 727 | 3,199 | 2,936 |
| FDIC assessment | 155 | 198 | 651 | 795 |
| Bank franchise tax | 206 | 167 | 763 | 670 |
| Core deposit intangible amortization | 547 | 95 | 1,282 | 378 |
| Foreclosed real estate, net | 122 | 304 | 296 | 583 |
| Merger related expenses | 73 | - | 1,607 | - |
| Other | 2,151 | 1,905 | 7,112 | 5,512 |
| Total noninterest expense | <u>8,629</u> | <u>6,474</u> | <u>30,000</u> | <u>23,379</u> |
| Income Before Income Taxes | 6,846 | 2,640 | 16,481 | 11,459 |
| Income Taxes | <u>2,194</u> | <u>789</u> | <u>4,910</u> | <u>3,181</u> |
| Net Income | 4,652 | 1,851 | 11,571 | 8,278 |
| Dividends on preferred stock | 52 | - | 103 | - |
| Net income available to common shareholders | <u>\$ 4,600</u> | <u>\$ 1,851</u> | <u>\$ 11,468</u> | <u>\$ 8,278</u> |
| Net Income Per Common Share: | | | | |
| Basic | \$ 0.59 | \$ 0.30 | \$ 1.64 | \$ 1.35 |
| Diluted | \$ 0.59 | \$ 0.30 | \$ 1.64 | \$ 1.35 |
| Average Common Shares Outstanding: | | | | |
| Basic | 7,804,245 | 6,126,817 | 6,982,524 | 6,123,870 |
| Diluted | 7,811,243 | 6,141,123 | 6,989,877 | 6,131,650 |

American National Bankshares Inc. and Subsidiaries
Financial Highlights
(In thousands, except share, ratio and nonfinancial data)
Unaudited

| | <u>4th Qtr</u> <u>2011</u> | <u>3rd Qtr</u> <u>2011</u> | <u>4th Qtr</u> <u>2010</u> | <u>YTD</u> <u>2011</u> | <u>YTD</u> <u>2010</u> |
|---|-------------------------------|-------------------------------|-------------------------------|---------------------------|---------------------------|
| EARNINGS | | | | | |
| Interest income | \$ 17,177 | \$ 14,779 | \$ 8,889 | \$ 49,187 | \$ 35,933 |
| Interest expense | 2,317 | 2,436 | 2,196 | 8,780 | 8,719 |
| Net interest income | 14,860 | 12,343 | 6,693 | 40,407 | 27,214 |
| Provision for loan losses | 1,972 | 525 | 485 | 3,170 | 1,490 |
| Noninterest income | 2,587 | 2,698 | 2,906 | 9,244 | 9,114 |
| Noninterest expense | 8,629 | 8,564 | 6,474 | 30,000 | 23,379 |
| Income taxes | 2,194 | 1,823 | 789 | 4,910 | 3,181 |
| Net income | 4,652 | 4,129 | 1,851 | 11,571 | 8,278 |
| PER COMMON SHARE | | | | | |
| Earnings per share - basic | \$ 0.59 | \$ 0.52 | \$ 0.30 | \$ 1.64 | \$ 1.35 |
| Earnings per share - diluted | 0.59 | 0.52 | 0.30 | 1.64 | 1.35 |
| Cash dividends declared | 0.23 | 0.23 | 0.23 | 0.92 | 0.92 |
| Book value per share | 19.58 | 19.40 | 17.64 | 19.58 | 17.64 |
| Book value per share - tangible (a) | 13.86 | 13.65 | 13.76 | 13.86 | 13.76 |
| Closing market price | 19.49 | 18.00 | 23.55 | 19.49 | 23.55 |
| FINANCIAL RATIOS | | | | | |
| Return on average assets | 1.42% | 1.26% | 0.88% | 1.07% | 1.00 |
| Return on average equity | 12.28 | 11.08 | 6.69 | 8.88 | 7.59 |
| Return on average tangible equity (b) | 18.77 | 17.24 | 8.83 | 12.97 | 10.05 |
| Average equity to average assets | 11.59 | 11.40 | 13.12 | 12.10 | 13.18 |
| Net interest margin, taxable equivalent | 5.27 | 4.41 | 3.65 | 4.35 | 3.78 |
| Efficiency ratio | 49.57 | 57.03 | 65.70 | 58.48 | 61.53 |
| Effective tax rate | 32.05 | 30.63 | 29.89 | 29.79 | 27.76 |
| PERIOD-END BALANCES | | | | | |
| Securities | \$ 339,385 | \$ 320,304 | \$ 235,691 | \$ 339,385 | \$ 235,691 |
| Loans held for sale | 6,330 | 3,359 | 3,135 | 6,330 | 3,135 |
| Loans, net of unearned income | 824,758 | 817,858 | 520,781 | 824,758 | 520,781 |
| Goodwill and other intangibles | 44,640 | 44,851 | 23,788 | 44,640 | 23,788 |
| Assets | 1,304,522 | 1,305,139 | 833,664 | 1,304,522 | 833,664 |
| Assets - tangible (a) | 1,259,882 | 1,260,288 | 809,876 | 1,259,882 | 809,876 |
| Deposits | 1,058,754 | 1,064,477 | 640,098 | 1,058,754 | 640,098 |
| Customer repurchase agreements | 45,575 | 43,758 | 47,084 | 45,575 | 47,084 |
| Other short-term borrowings | 3,000 | - | 6,110 | 3,000 | 6,110 |
| Long-term borrowings | 37,418 | 37,428 | 29,107 | 37,418 | 29,107 |
| Shareholders' equity | 152,829 | 151,361 | 108,087 | 152,829 | 108,087 |
| Shareholders' equity - tangible (a) | 108,189 | 106,510 | 84,299 | 108,189 | 84,299 |
| AVERAGE BALANCES | | | | | |
| Securities | \$ 322,018 | \$ 296,095 | \$ 215,208 | \$ 270,441 | \$ 203,296 |
| Loans held for sale | 5,989 | 2,641 | 5,629 | 3,042 | 4,159 |
| Loans, net of unearned income | 819,688 | 827,720 | 521,832 | 671,724 | 520,315 |
| Interest-earning assets | 1,172,965 | 1,171,982 | 770,649 | 974,601 | 754,833 |
| Goodwill and other intangibles | 44,455 | 44,437 | 23,844 | 34,158 | 23,982 |
| Assets | 1,306,699 | 1,306,796 | 843,922 | 1,077,094 | 827,422 |
| Assets - tangible (a) | 1,262,244 | 1,262,359 | 820,078 | 1,042,936 | 803,440 |
| Interest-bearing deposits | 886,551 | 896,873 | 537,662 | 720,163 | 522,614 |
| Deposits | 1,060,013 | 1,067,491 | 647,526 | 863,367 | 625,822 |
| Customer repurchase agreements | 49,257 | 45,356 | 52,068 | 46,411 | 59,270 |
| Other short-term borrowings | 130 | 2 | 251 | 66 | 87 |
| Long-term borrowings | 37,434 | 37,439 | 29,136 | 30,991 | 29,192 |
| Shareholders' equity | 151,496 | 149,033 | 110,688 | 130,320 | 109,060 |
| Shareholders' equity - tangible (a) | 107,041 | 104,596 | 86,844 | 96,162 | 85,078 |

American National Bankshares Inc. and Subsidiaries
Financial Highlights
(In thousands, except share, ratio and nonfinancial data)
Unaudited

| | 4th Qtr 2011 | 3rd Qtr 2011 | 4th Qtr 2010 | YTD 2011 | YTD 2010 |
|---|-------------------------|-----------------|-----------------|---------------------|-------------|
| CAPITAL | | | | | |
| Average shares outstanding - basic | 7,804,245 | 7,800,614 | 6,126,817 | 6,982,524 | 6,123,870 |
| Average shares outstanding - diluted | 7,811,243 | 7,806,668 | 6,141,123 | 6,989,877 | 6,131,650 |
| ALLOWANCE FOR LOAN LOSSES | | | | | |
| Beginning balance | \$ 9,086 | \$ 8,744 | \$ 8,542 | \$ 8,420 | \$ 8,166 |
| Provision for loan losses | 1,972 | 525 | 485 | 3,170 | 1,490 |
| Charge-offs | (906) | (252) | (662) | (1,863) | (1,531) |
| Recoveries | 377 | 69 | 55 | 802 | 295 |
| Ending balance | \$ 10,529 | \$ 9,086 | \$ 8,420 | \$ 10,529 | \$ 8,420 |
| LOANS | | | | | |
| Construction and land development | \$ 54,433 | \$ 57,111 | \$ 37,168 | \$ 54,433 | \$ 37,168 |
| Commercial real estate | 351,961 | 346,715 | 210,393 | 351,961 | 210,393 |
| Residential real estate | 179,812 | 174,493 | 119,398 | 179,812 | 119,398 |
| Home equity | 96,195 | 99,727 | 61,064 | 96,195 | 61,064 |
| Commercial and industrial | 134,166 | 131,704 | 85,051 | 134,166 | 85,051 |
| Consumer | 8,191 | 8,108 | 7,707 | 8,191 | 7,707 |
| Total | \$ 824,758 | \$ 817,858 | \$ 520,781 | \$ 824,758 | \$ 520,781 |
| NONPERFORMING ASSETS AT PERIOD-END | | | | | |
| Nonperforming loans: | | | | | |
| 90 days past due | \$ 197 | \$ - | \$ - | \$ 197 | \$ - |
| Nonaccrual | 13,523 | 13,455 | 2,597 | 13,523 | 2,597 |
| Foreclosed real estate | 5,353 | 5,920 | 3,716 | 5,353 | 3,716 |
| Nonperforming assets | \$ 19,073 | \$ 19,375 | \$ 6,313 | \$ 19,073 | \$ 6,313 |
| ASSET QUALITY RATIOS | | | | | |
| Annualized net chargeoffs to average loans | 0.26% | 0.09% | 0.47% | 0.16% | 0.24% |
| Nonperforming assets to total assets | 1.46 | 1.48 | 0.76 | 1.46 | 0.76 |
| Nonperforming loans to total loans | 1.66 | 1.65 | 0.50 | 1.66 | 0.50 |
| Allowance for loan losses to total loans | 1.28 | 1.11 | 1.62 | 1.28 | 1.62 |
| Allowance for loan losses to total loans net or fair value loans (e) | 1.96 | 1.76 | 1.62 | 1.96 | 1.62 |
| Allowance for loan losses to nonperforming loans | 76.74 | 67.53 | 324.22 | 76.74 | 324.22 |
| OTHER DATA | | | | | |
| Fiduciary assets at period-end (c) | \$ 355,202 | \$ 340,941 | \$ 368,018 | \$ 355,202 | \$ 368,018 |
| Retail brokerage assets at period-end (c) | \$ 176,636 | \$ 149,284 | \$ 49,311 | \$ 176,636 | \$ 49,311 |
| Number full-time equivalent employees (d) | 315 | 306 | 242 | 315 | 242 |
| Number of full service offices | 25 | 25 | 18 | 25 | 18 |
| Number of loan production offices | 1 | 1 | 1 | 1 | 1 |
| Number of ATM's | 31 | 31 | 26 | 31 | 26 |

Notes:

- (a) - Excludes goodwill and other intangible assets
- (b) - Excludes amortization expense, net of tax, of intangible assets
- (c) - Market value
- (d) - Average for quarter
- (e) - Excludes acquired loans measured at fair value

Net Interest Income Analysis
For the Three Months Ended December 31, 2011 and 2010
(in thousands, except rates)
Unaudited

| | Average Balance | | Interest Income/Expense | | Yield/Rate | |
|--|---------------------|-------------------|-------------------------|-----------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Loans: | | | | | | |
| Commercial | \$ 134,836 | \$ 75,012 | \$ 1,555 | \$ 868 | 4.58% | 4.59% |
| Real estate | 682,631 | 445,017 | 13,205 | 5,949 | 7.74 | 5.35 |
| Consumer | 8,210 | 7,432 | 156 | 144 | 7.54 | 7.69 |
| Total loans | <u>825,677</u> | <u>527,461</u> | <u>14,916</u> | <u>6,961</u> | <u>7.22</u> | <u>5.27</u> |
| Securities: | | | | | | |
| Federal agencies | 33,427 | 48,184 | 181 | 382 | 2.17 | 3.17 |
| Mortgage-backed & CMO's | 99,817 | 57,251 | 577 | 484 | 2.31 | 3.38 |
| State and municipal | 180,254 | 103,692 | 1,983 | 1,255 | 4.40 | 4.84 |
| Other | 8,520 | 6,081 | 86 | 55 | 4.04 | 3.62 |
| Total securities | <u>322,018</u> | <u>215,208</u> | <u>2,827</u> | <u>2,176</u> | <u>3.51</u> | <u>4.04</u> |
| Deposits in other banks | <u>25,270</u> | <u>27,980</u> | <u>15</u> | <u>92</u> | <u>0.24</u> | <u>1.30</u> |
| Total interest-earning assets | <u>1,172,965</u> | <u>770,649</u> | <u>17,758</u> | <u>9,229</u> | <u>6.05</u> | <u>4.79</u> |
| Non-earning assets | <u>133,734</u> | <u>73,273</u> | | | | |
| Total assets | <u>\$ 1,306,699</u> | <u>\$ 843,922</u> | | | | |
| Deposits: | | | | | | |
| Demand | \$ 180,874 | \$ 93,133 | 123 | 18 | 0.27 | 0.08 |
| Money market | 195,534 | 60,500 | 190 | 86 | 0.39 | 0.56 |
| Savings | 73,674 | 63,010 | 29 | 22 | 0.16 | 0.14 |
| Time | 436,469 | 321,019 | 1,615 | 1,578 | 1.47 | 1.95 |
| Total deposits | <u>886,551</u> | <u>537,662</u> | <u>1,957</u> | <u>1,704</u> | <u>0.88</u> | <u>1.26</u> |
| Customer repurchase agreements | 49,257 | 52,068 | 81 | 85 | 0.65 | 0.65 |
| Other short-term borrowings | 130 | 251 | - | - | 0.43 | 0.14 |
| Long-term borrowings | 37,434 | 29,136 | 279 | 407 | 2.98 | 5.59 |
| Total interest-bearing liabilities | <u>973,372</u> | <u>619,117</u> | <u>2,317</u> | <u>2,196</u> | <u>0.95</u> | <u>1.41</u> |
| Noninterest bearing demand deposits | 173,462 | 109,864 | | | | |
| Other liabilities | 8,369 | 4,253 | | | | |
| Shareholders' equity | <u>151,496</u> | <u>110,688</u> | | | | |
| Total liabilities and shareholders' equity | <u>\$ 1,306,699</u> | <u>\$ 843,922</u> | | | | |
| Interest rate spread | | | | | <u>5.10%</u> | <u>3.38%</u> |
| Net interest margin | | | | | <u>5.27%</u> | <u>3.65%</u> |
| Net interest income (taxable equivalent basis) | | | 15,441 | 7,033 | | |
| Less: Taxable equivalent adjustment | | | 581 | 340 | | |
| Net interest income | | | <u>\$ 14,860</u> | <u>\$ 6,693</u> | | |

Net Interest Income Analysis
For the Years Ended December 31, 2011 and 2010
(in thousands, except yields and rates)
Unaudited

| | Average Balance | | Interest Income/Expense | | Yield/Rate | |
|--|---------------------|-------------------|-------------------------|------------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Loans: | | | | | | |
| Commercial | \$ 107,376 | \$ 77,382 | \$ 4,947 | \$ 3,694 | 4.61% | 4.77% |
| Real estate | 559,656 | 440,318 | 35,298 | 24,045 | 6.31 | 5.46 |
| Consumer | 7,734 | 6,774 | 575 | 541 | 7.43 | 7.99 |
| Total loans | <u>674,766</u> | <u>524,474</u> | <u>40,820</u> | <u>28,280</u> | <u>6.05</u> | <u>5.39</u> |
| Securities: | | | | | | |
| Federal agencies | 36,247 | 59,960 | 946 | 1,917 | 2.61 | 3.20 |
| Mortgage-backed & CMO's | 75,902 | 50,178 | 2,148 | 1,957 | 2.83 | 3.90 |
| State and municipal | 151,254 | 86,439 | 6,872 | 4,478 | 4.54 | 5.18 |
| Other | 7,038 | 6,719 | 279 | 240 | 3.96 | 3.57 |
| Total securities | <u>270,441</u> | <u>203,296</u> | <u>10,245</u> | <u>8,592</u> | <u>3.79</u> | <u>4.23</u> |
| Deposits in other banks | <u>29,394</u> | <u>27,063</u> | <u>127</u> | <u>360</u> | <u>0.43</u> | <u>1.33</u> |
| Total interest-earning assets | <u>974,601</u> | <u>754,833</u> | <u>51,192</u> | <u>37,232</u> | <u>5.25</u> | <u>4.93</u> |
| Non-earning assets | <u>102,493</u> | <u>72,589</u> | | | | |
| Total assets | <u>\$ 1,077,094</u> | <u>\$ 827,422</u> | | | | |
| Deposits: | | | | | | |
| Demand | \$ 137,211 | \$ 94,236 | 290 | 76 | 0.21 | 0.08 |
| Money market | 132,906 | 73,358 | 572 | 371 | 0.43 | 0.51 |
| Savings | 68,038 | 63,484 | 98 | 88 | 0.14 | 0.14 |
| Time | 382,008 | 291,536 | 6,243 | 6,173 | 1.63 | 2.12 |
| Total deposits | <u>720,163</u> | <u>522,614</u> | <u>7,203</u> | <u>6,708</u> | <u>1.00</u> | <u>1.28</u> |
| Customer repurchase agreements | 46,411 | 59,270 | 325 | 382 | 0.70 | 0.64 |
| Other short-term borrowings | 66 | 87 | 0 | 0 | 0.47 | 0.42 |
| Long-term borrowings | 30,991 | 29,192 | 1,252 | 1,629 | 4.04 | 5.58 |
| Total interest-bearing liabilities | <u>797,631</u> | <u>611,163</u> | <u>8,780</u> | <u>8,719</u> | <u>1.10</u> | <u>1.43</u> |
| Noninterest bearing demand deposits | 143,204 | 103,208 | | | | |
| Other liabilities | 5,939 | 3,991 | | | | |
| Shareholders' equity | <u>130,320</u> | <u>109,060</u> | | | | |
| Total liabilities and shareholders' equity | <u>\$ 1,077,094</u> | <u>\$ 827,422</u> | | | | |
| Interest rate spread | | | | | <u>4.15%</u> | <u>3.50%</u> |
| Net interest margin | | | | | <u>4.35%</u> | <u>3.78%</u> |
| Net interest income (taxable equivalent basis) | | | 42,412 | 28,513 | | |
| Less: Taxable equivalent adjustment | | | <u>2,005</u> | <u>1,299</u> | | |
| Net interest income | | | <u>\$ 40,407</u> | <u>\$ 27,214</u> | | |